Census 2000: A Political Primer, With An Economics Chaser

By Arthur W. Wright

To many people, "the Census" is like certain species of locust: it shows up every so often, generates a lot of noise and a bit of bother, and then goes away. The last couple of times, the decennial census has stirred up a partisan political hubbub. But the public's attention soon wanders—as it did this year once the national election heated up. Arguably, citizens should pay more attention than they do to the decennial counts.

The population shifts, captured by Census 2000, will affect legislative reapportionments, both Federal and state. The new Census results will directly affect Federal funding of state and local programs, and thus ultimately either services or taxes. And that's not all. What follows is a primer on Census 2000, focusing on its political aspects and also highlighting several economic effects. Connecticut faces challenges on both fronts.

How Many Representatives, and So What?

Talk about hubbub! Just wait till the next election in 2002, when six sitting U.S. Representatives from Connecticut have to cram themselves into five seats. It's not official yet, but the odds are short that the Nutmeg state will lose a U.S. House seat once Census 2000 results are in. The General Assembly would have had to redraw the House district boundaries anyway, but the friction from having to create five districts from six should help the legislature stay within its fuel budget this winter.

What else is at stake? For openers, Connecticut will lose one electoral vote and thus may receive even less attention than it did this year from presidential candidates. And there also will be one fewer Congressional staff looking out for the state. We'll of course also lose a vote on the House floor, reducing our state's total representation there from 1.38% to 1.15%. The loss of clout could be greater, or less, depending on the split in party affiliations of our remaining five members, and on which party controls the House. The loss of two or three committee and sub-committee chairs could also make a real difference on hard-fought issues such as where weapons systems get built.

Before we worry too much or begin feeling sorry for ourselves, some historical and comparative perspective may help. The citizens of Connecticut and other states have survived the loss of House seats before. Our state finally got back to its original Constitutional allotment of five Representatives after the 1900 Census, and kept that figure following the 1910 Census, when the size of the House was fixed at the current 435 seats. We gained a seat, to the current figure of six, in 1930, the first reapportionment after Arizona completed the 48 states in 1912. Massachusetts, in contrast, lost no fewer than six out of 16 House seats between 1910 and 1990. Maine lost two of its four seats; Rhode Island one of three; and Vermont one of two. New Hampshire was the only other New England state besides Connecticut to hold its own (at two Representatives) through most of the 20th century.

New Hampshire's stability owed much to population gains in its southeast corner, now an exurb of Boston. Similarly, Connecticut gained people moving out of New York City, as did New Jersey, which had a more or less stable House delegation as well. From 1910 to 1990, New York lost 12 seats (43 to 31), with most of the decline coming after 1970. Pennsylvania lost 15 seats (36 to 21), again helping New Jersey stay about even with outflows from Philadelphia. Not surprisingly, the 20th century's big House-seat gainers were California, Florida, and Texas, followed by other southern or western states.

Nutmeggers should enjoy having five U.S. Representatives while they can. In the Census Bureau's population projections for 1995-2025, Connecticut's growth rate ranks 39th—14 places below the median. The main hope for our retaining five House seats in the future lies in the even slower growth rates projected for more populous states like Illinois, Indiana, Iowa, Massachusetts, Michigan, New York, Ohio, and Pennsylvania.

The Connecticut General Assembly will also have to redistrict itself as a result of Census 2000. The legislature will doubtless employ the same sausage machine used to stuff six U.S. Representatives into five seats. After each decennial census, the two major political parties jockey for advantage in redrawing district boundaries for the coming five elections—here, 2002-2010. In that light, the 2000 State legislative elections, just concluded, had a significance missed by almost everyone but the political pros, who spread party funds around in certain key districts in an attempt to influence the coming reapportionments.

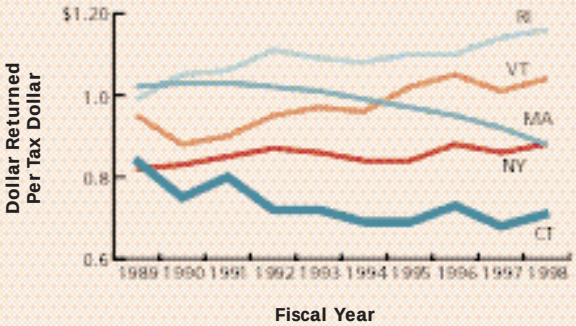
Bringing Home the Bacon

President Clinton may have proclaimed that the era of big government is over, but the fact remains, the U.S. Government today administers some 1,425 "domestic-assistance" programs administered by 57 different agencies. Census 2000 matters here because many of the eligibility formulas and grant awards depend on allocation variables tabulated in or derived from the Census. Numbers of people and per capita incomes are probably the most frequently-used variables, but such derivative figures as numbers living in "poverty", their ethnic composition, or densities of qualifying "minority" populations, are common elements of domestic-assistance formulas.

The 1,425 programs include grants in money and in kind (*e.g.*, donated Federal property, various expert services, and technical information); they are completely separate from Federal procurement of goods and services (*e.g.*, submarines, red tape, and expert witnesses against Microsoft). In fiscal 2000, Connecticut received more than $1 million each from 18 Federal programs in education alone, according to the State Office of Policy and Management (OPM). Other major sources of our grants are the Departments of Agriculture and Labor.

Federal domestic-assistance programs, in the aggregate, are on the scale of big business. To learn what's available, and even how to apply, check out the web site of the "Catalog of Federal Domestic Assistance": http://www.cfda.gov. There one learns that the programs span local or regional economic development, emergency management, energy, health and human services,

Connecticut Last In Return of Federal Tax Dollars



housing and home ownership, the humanities, international activities, rural development, and veterans. These programs are so important to state governments that the National Governors' Association and the National Conference of State Legislatures operate a joint subscription service known as the "Federal Funds Information Service" (FFIS) (http://www.ffis.org; use restricted to paid subscribers).

Small wonder that state and local officials in charge of functions where Federal support is available were keen to get accurate Census counts of their "client" constituents.

Another reason Connecticut officials want to ensure that the state receives its "fair share" of largesse from Washington is the state's low "Return of Federal Tax Dollars" (RFTD). That concept measures the Federal dollars coming back to a state in any form—grants, transfers, procurements—per dollar of Federal taxes paid by state residents. As the chart opposite shows, Connecticut trailed by this measure, compared with three other New England states and New York, from FY 1990 through 1998 (the last year available from OPM). In fact, Connecticut's $0.71 RFTD was dead last among the 50 states in FY 1998, below New Hampshire and Nevada (both at $0.75). First on the list was New Mexico ($1.93), with West Virginia ($1.64) a distant second.

Connecticut's low RFTD doubtless reflects its top position nationally in per capita income, coupled with the progressivity of Federal income tax rates. But, as the chart also shows, the Nutmeg State's RFTD declined by about 12 cents from 1989 to 1998, as did that of Massachusetts. In both cases, much of the decline traces to post-Cold War military procurement cuts and base closings, which hit the two states hard.

It's all well and good to accept our being tops in *average* income as the explanation for having the lowest RFTD of any state. But state and local officials responsible for helping Connecticut residents with *below-average* incomes want to be sure they capture the Federal grant dollars the state is entitled to. By being diligent, those officials will be helping Connecticut maintain its slice of the Federal government spending pie.

Census 2000 will continue to be more important than many think—to Connecticut's economy, its politicians, and ultimately the people they serve.

The Connecticut Economy: A New, Improved View

Jeff Blodgett, VP, Research, and Dale Shannon, Sr. Economist, CERC, Inc.

Buy a boat, lease a computer, shoe a horse, go bowling, hire a lawyer, enroll in school, conduct genetic research, seed some clouds. That disparate set of economic activities has but one thing in common: they're all part of the Connecticut "services" economy as defined by the Standard Industrial Classification (SIC). The venerable SIC—the reporting framework used for all Federal, state and private data on sectoral economic activity for more than 60 years—is being phased out and replaced with the North American Industry Classification System, or NAICS (pronounced "nakes").

This new economic taxonomy, will change our view of the Connecticut economy by, among other things, sharpening our focus on the importance of services and technology.

Why Develop NAICS, and Why Now?

The SIC ostensibly classified businesses by primary type of economic activity. When it was initially developed in the 1930s, nearly half of U.S. employment was in manufacturing, mining and construction (MMC). Today, despite four or five revisions, the SIC is still mired in the depression-era economic structure at the time of its birth.

The U.S. economy has, of course, changed profoundly since the 1930s. Employment in MMC dropped from about half to a quarter of total employment between 1940 and 1997. New industries never dreamt of in 1940, or even in the late 1980s, when the SIC was last revised, have come to the forefront of the nation's economy. The limitations of the SIC in providing data on new and emerging industries have been a growing problem, hindering the ability of industry and government analysts to monitor and react to economic change. For example, computer equipment was stuck in the SIC grouping for industrial and commercial equipment because computers were first seen as extending the design and functionality of mechanical adding machines!

That example points to another problem with the SIC. Some industry groupings were based on the process used in production, while others were based on the output of the industry. Trying to track down an industrial niche in the SIC can be...well, trying.

The last straw was the creation of the North American Free Trade Agreement (NAFTA). The implementation and enforcement of NAFTA, beginning in 1994, demanded a common industrial classification system among Canada, Mexico and the United States.

NAICS was the response to all the problems noted above and more. Its developers paid special attention to methodological consistency and flexibility, so that further changes in technology and emerging industries could be readily incorporated into the classification system.

How Does the NAICS differ from the SIC?

Perhaps the most significant difference between the two taxonomies lies in the underlying economic principles used to classify businesses. In contrast to the SIC, the NAICS relies solely on supply or production criteria in constructing a consistent framework for compiling information on both inputs and outputs.

A second important difference resulted from the focus, during the NAICS planning and design process, on new and emerging industries, on services, and on industries involved with advanced technologies. As a result, the NAICS incorporates many new sectors.

While a few detailed SIC industries will retain their codes under NAICS, there will be a number of breaks in time series at a detailed industry level and virtually no continuity at more aggregate levels. Where there were 1,004 SIC categories, there are 1,170 in NAICS. Of the latter figure, 358 are new—not previously recognized separately under SIC; 422 are substantially unchanged;